Bulls Target Metals Play with Long-Term Tailwinds from EV, Booming US Demand

Ticker/Price: CLF ($24.25)

Analysis:

Cliff's Natural (CLF) bullish flow on 9/2 with buyers of 3,500 November $24 calls for $1M and over 3,000 of the November $27 calls also bought while the April $17 puts sold to open 2100X. CLF has seen buyers this week in the November $23 calls and November $25 calls while the October $29 calls with over 5,000 in OI from recent buys. Shares pulled back to VWAP from the July lows and putting in a nice base recently with a breakout over $25 in focus for a return to recent highs. The $11.9B company company trades 6.75X earnings, 0.91X sales, and 160X cash. CLF is positioned well for the recent steel boom in the US and potential for a multi-year pick up in demand from the massive infrastructure deal. CLF is the largest flat-rolled producer in the US with exposure to automotive, manufacturing and many other industries. Long-term, CLF is poised for growth given their leadership in exposed and lightweight materials being used new EV models as well as lightweight trucks, one of the hottest segments of the automotive space. Analysts have an average target for shares of $25 with a Street High $39. MSCO starting at Equal Weight recently expecting their downstream reinvention to lead to record EBITDA and free cash flow generation amid a tight steel market in the U.S., but most of the current outlook is priced into shares. B Riley positive on 7/29 noting a recent share redemption was done at an attractive price and the transaction alone created approximately $1.50 per share in value. Short interest is 9.75%. Hedge fund ownership rose marginally last quarter. Iridian Asset Management a buyer of 3.5M shares. Insiders active in the name this year as well with buyers in May at $19.50 and larger buyers in March at $13.50.

Hawk Vision:

Hawk's Perspective: CLF looks great across the chart, flows, and long-term story, a name to watch and above Thursday's wick would be a nice sign of strength

Confidence Ranking: $$